

The Florida Senate
BILL ANALYSIS AND FISCAL IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Prepared By: The Professional Staff of the Higher Education Committee

BILL: SB 1426

INTRODUCER: Senator Wise

SUBJECT: Prepaid College Programs

DATE: March 29, 2009 REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Harkey	Matthews	HE	Favorable
2.			FT	
3.			HI	
4.				
5.				
6.				

I. Summary:

This bill would permit certain purchasers of prepaid contracts for prepaid tuition scholarships to receive a refund for the redemption value of the unused portion of the prepaid contracts at state postsecondary institutions (i.e., the then-current value of the unused tuition or benefits remaining on a prepaid tuition contract). The refund would have to be used exclusively to fund the purchase of additional prepaid contracts for scholarships. The bill only applies to only the following entities:

- A purchaser of prepaid contracts that is a non-profit organization as described in s. 501(c)(3) of the U.S. Internal Revenue Code, exempt from taxation under s. 501(a) of the U.S. Internal Revenue Code, and that provides a scholarship program which is approved by the Florida Prepaid College Board; and
- The Florida Prepaid College Board direct support organization (Florida Prepaid College Foundation).

This bill amends s. 1009.98, Florida Statutes.

II. Present Situation:

The Stanley G. Tate Florida Prepaid College Program

The Stanley G. Tate Florida Prepaid College Program allows purchasers to buy prepaid contracts to pay the registration fees, local fees, tuition differential fees and dormitory expenses of beneficiaries at Florida community colleges and state universities, in advance of enrollment. The Florida Prepaid College Board administers the program.

The Florida Prepaid College Foundation, Inc., and the Prepaid Tuition Scholarship Program

The Florida Prepaid College Foundation, Inc., (the foundation) is a private sector, tax-exempt s. 501(c)(3) of the U.S. Internal Revenue Code organization which operates the Florida Prepaid Tuition Scholarship Program to provide prepaid plan scholarships to economically disadvantaged youth who remain crime free and drug free. The foundation provides scholarships in conjunction with other private sector foundations and organizations through a matching program whereby the other private sector organizations provide 50 percent of the cost of the scholarships. The remaining 50 percent of the cost is provided by the foundation, through an annual appropriation and the monies provided by escheated prepaid contracts. The foundation buys prepaid contracts from the Florida Prepaid College Board in cooperation with other private sector organizations.

In addition to the Florida Prepaid Tuition Scholarship Program, other tax exempt organizations may purchase prepaid contracts from the Florida Prepaid College Board to provide scholarships thorough scholarship programs which have been approved by the Board under s. 1009.98(9), F.S.

When scholarship recipients fail to use all of the credit hours available under a scholarship, the cooperating organizations often will attempt to use the remaining, unused semester credit hours that are available under the prepaid contracts they helped buy to provide scholarships to additional economically disadvantaged students that have remained drug free and crime free. This is accomplished by naming a substitute beneficiary for those prepaid contracts. The process of changing the beneficiary on such contracts can involve changing the beneficiary on a series of prepaid contracts used for scholarships to a new scholarship recipient.

III. Effect of Proposed Changes:

This bill would permit certain purchasers of prepaid contracts for prepaid tuition scholarships to receive a refund for the redemption value of the unused portion of the prepaid contracts at state postsecondary institutions (i.e., the then-current value of the unused tuition or benefits remaining on a prepaid tuition contract), when the refund is used exclusively to fund the purchase of additional prepaid scholarship contracts. The bill only applies to only the following entities:

- A purchaser of prepaid contracts that is a non-profit organization as described in s. 501(c)(3) of the U.S. Internal Revenue Code, exempt from taxation under s. 501(a) of the U.S. Internal Revenue Code, and that provides a scholarship program which is approved by the Florida College Prepaid Board; and
- The Florida Prepaid College Board direct support organization (Florida Prepaid College Foundation).

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Fiscal Impact Statement:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

This bill would reduce the administrative difficulties and costs of using the remaining, unused semester credit hours available on prepaid contracts used to provide additional prepaid tuition scholarships under scholarship programs which have been approved by the Florida Prepaid College Board and which are operated by private sector, tax exempt organizations.

C. Government Sector Impact:

This bill would reduce the administrative difficulties and costs of using the remaining, unused semester credit hours available on prepaid contracts used to provide additional prepaid tuition scholarships under the Florida Prepaid Tuition Scholarship Program.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Additional Information:

A. Committee Substitute – Statement of Substantial Changes:

(Summarizing differences between the Committee Substitute and the prior version of the bill.)

None.

B. Amendments:

None.